

The 99% Get a Bigger Raise

New data show much faster growth in wages and incomes.



An assembly line worker packages items from an online order to be shipped out of a Target store in Edison, N.J., Nov. 16, 2018. PHOTO: JULIO CORTEZ/ASSOCIATED PRESS

Political discourse nowadays is enough to depress anyone, and the media don't help by ignoring good economic news. But buck up, Americans: Worker wages are growing much faster than previously reported.

The Bureau of Economic Analysis (BEA) on Tuesday published its annual revisions to personal income data, and the surprise was the huge jump in disposable income and employee compensation.

The revisions show that employee compensation rose 4.5% in 2017 and 5% in 2018—some \$4.4 billion and \$87.1 billion more than previously reported. The trend has continued into 2019, with compensation increasing \$378 billion or 3.4% in the first six months alone. Wages and salaries were revised upward to 5.3%

from 3.6% in May year over year. And in June wages and salaries grew at an annual rate of 5.5%, which is a rocking 4.1% after adjusting for inflation.

This is far more than the 3.1% year over year increase in average hourly earnings that the Labor Department's jobs report showed for June. One reason for the disparity may be that employers are hiring millions of younger, lower-income workers, which may be depressing average hourly earnings as older, more highly paid workers retire.

The BEA also revised overall personal income up by 1.7% for 2017 and 2018 and transfer receipts down 0.7%. In sum, Americans are earning more and relying less on government. Personal savings estimates were also increased by \$217 billion for the last two years and are now \$1.3 trillion, which means Americans are socking away more of their earnings.

The personal savings rate was revised upward to 8.1% from 6.1% in May, which is much higher than the roughly 5% before the last two recessions. This should make the current economic expansion more durable since consumption isn't being pumped up largely by increased household debt. Instead consumer spending has increased as wage growth has accelerated amid a tight labor market.

Recall how liberals blamed "secular stagnation" as the reason worker incomes weren't growing faster during the latter years of Barack Obama's Presidency. Yet employee compensation has increased by \$150 billion more in the first six months of 2019 than all of 2016. Compensation increased 42% more during the first two years of the Trump Presidency than in 2015 and 2016. This refutes the claim by liberals that the economy has merely continued on the same trajectory since 2017 as it was before.

The economy barely skirted recession in the final Obama years, and economic policy changed in 2017. Deregulation has unleashed repressed animal spirits, especially in energy. Tax reform has also spurred business investment in new facilities and equipment, which over time should translate into higher worker productivity and wages.

Those reforms are continuing to pay economic dividends despite the damage from Mr. Trump's trade policies. While Democrats and even some conservatives complain that workers haven't benefited from tax reform, the evidence suggests

otherwise.

Corporate after-tax profits increased by about \$220 billion between 2016 and 2018 while employee compensation swelled nearly \$1 trillion. Corporate profits declined 2.9% in the first quarter of 2019 even as wages grew at an annual rate of 10.1%. This sure sounds like an economy that is benefiting the 99%.

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